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IN THE
Supreme Court of the United States
OCTOBER TERM, 1993

DIGITAL EQUIPMENT CORPORATION,
Petitioner,

v.

DESKTOP DIRECT, INC.,
Respondent.

Petition for a Writ of Certiorari to the United States Court of Appeals for the Tenth Circuit

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PETITION FOR A WRIT OF CERTIORARI

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QUESTION PRESENTED

Did the court below err in concluding, contrary to recent decisions of the Second, Fifth, and Eleventh Circuits with which the court below expressly disagreed, that a decision setting aside a settlement agreement is not immediately appealable, and that a defendant who bargained for dismissal of the suit and avoidance of trial as part of the settlement may instead appeal the decision setting aside the settlement only after trial?

PARTIES TO THE PROCEEDING AND RULE 29.1 STATEMENT

Petitioner Digital Equipment Corporation was defendant-appellant below; respondent Desktop Direct, Inc., was plaintiff-appellee.

Pursuant to S. Ct. Rule 29.1, petitioner notes that the following are non-wholly owned subsidiaries of Digital Equipment Corporation: EA Systems, Inc., Rocky Mountain Magnetics, Inc., Digital-Natcom, Elebra Computadores S.A., Digital Equipment (India) Ltd., and Digital Equipment Export (India) Ltd.

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PETITION FOR A WRIT OF CERTIORARI

Petitioner Digital Equipment Corporation respectfully prays that a writ of certiorari issue to review the judgment and opinion of the United States Court of Appeals for the Tenth Circuit entered in the above captioned case on May 17, 1993.

OPINIONS BELOW

The opinion of the United States Court of Appeals for the Tenth Circuit is reported at 993 F.2d 755 and is reprinted in the appendix hereto ("App.") at 1a. The orders of the United States District Court for the District of Utah are unreported and are reprinted at App. 11a, 12a.

JURISDICTION

Respondent Desktop Direct, Inc. initiated this case by filing a complaint against petitioner Digital Equipment Corporation in the United States District Court for the

District of Utah on February 28, 1992. Jurisdiction was based on 28 U.S.C. §§ 1331 & 1338, and 15 U.S.C. § 1121. On March 25, 1992, respondent filed a notice of dismissal with the district court pursuant to Fed. R. Civ. P. 41(a)(i). On September 17, 1992, respondent filed a motion to withdraw its notice of dismissal and to rescind the settlement agreement. The district court granted that motion on January 5, 1993. App. 12a.

Petitioner filed a notice of appeal on February 4, 1993, basing jurisdiction on the collateral order doctrine, and sought a stay of the district court order on March 29, 1993. On May 17, 1993, the court of appeals dismissed the appeal and denied the stay. App. 10a. On June 16, 1993, the court of appeals denied petitioner's timely petition for rehearing and suggestion for rehearing in banc. *Id.* at 14a. The jurisdiction of this Court to review the judgment below is based on 28 U.S.C. § 1254(1).

PERTINENT STATUTORY PROVISION

Section 1291 of Title 28, United States Code, provides in pertinent part:

> The courts of appeals (other than the United States Court of Appeals for the Federal Circuit) shall have jurisdiction of appeals from all final decisions of the district courts of the United States, the United States District Court for the District of the Canal Zone, the District Court of Guam, and the District Court of the Virgin Islands, except where a direct review may be had in the Supreme Court.

STATEMENT OF THE CASE

Respondent Desktop Direct, Inc. ("Desktop") filed suit against petitioner Digital Equipment Corporation ("Digital") on February 28, 1992, in United States District Court for the District of Utah. The complaint alleged a violation of the Lanham Trade-Mark Act, 15 U.S.C. § 1125(a), and related violations of Utah statutory and common law. Prior to service of the complaint and before any discovery, extensive settlement discussions between the parties led to a settlement agreement on March 25, 1992.

The agreement specified that "[c]ontemporaneous with the execution of this Settlement Agreement, Desktop shall execute [a] Notice of Dismissal * * *. Desktop shall file the executed Notice of Dismissal within three (3) business days of the execution of this Settlement Agreement." Settlement Agreement, ¶ 6. Without admitting fault or liability, Digital agreed to pay Desktop a significant sum to acquire the trademarks in question, and 15 times that amount "for dismissal of the * * * lawsuit and a waiver of all damages allegedly caused by Digital's use of [the pertinent trademarks]." *Id.* at ¶ 8. The payment to Desktop was to be held in escrow until Desktop "confirms that a Notice of Dismissal * * * has been filed with the United States District Court for the District of Utah and dismissal has been effected." *Id.* Desktop filed the notice of dismissal the same day the agreement was executed.

Nearly six months later, on September 17, 1992, Desktop filed a motion in the district court requesting that the court vacate the dismissal and rescind the Settlement Agreement on grounds of fraud. Desktop explained that it had retained new attorneys and now believed that it had been induced to settle through Digital's alleged fraudulent misrepresentations of fact. Desktop claimed that, during settlement negotiations, Digital had led Desktop to believe that Digital had acted innocently and without knowledge in adopting the allegedly infringing trademark. Desktop now asserted that such representations were untrue. Two weeks later, Desktop "correct[ed]" its motion. It acknowledged that "[t]o the extent that Plaintiff has asserted that [Digital] adopted the Desktop Direct name in a knowing manner, Plaintiff at this time has no direct proof." Supplemental Memorandum in Support of Motion of Plaintiff to Withdraw Notice of Dismissal, at 2. Desktop explained that any suggestions it had made that Digital knowingly adopted Desktop's trademark should be read to mean

instead that Digital knowingly infringed the trademark. *Id.*

On January 5, 1993, over Digital's opposition, the district court granted Desktop's motion to withdraw the dismissal and rescind the Settlement Agreement. The court "conclude[d] that a fact finder could determine that defendant failed to disclose material facts to plaintiff during settlement negotiations which would have resulted in rejection of the settlement offer by the plaintiff." App. 13a. Digital filed a timely notice of appeal to the Court of Appeals for the Tenth Circuit on February 4, 1993.

On February 26, 1993, the court of appeals requested briefing on the question whether it had jurisdiction over Digital's appeal. Digital explained that the court had jurisdiction under the collateral order doctrine recognized in *Cohen* v. *Beneficial Indus. Loan Corp.*, 337 U.S. 541 (1949), because the district court decision conclusively determined the disputed question, resolved an important issue completely separate from the merits of the action, and would be effectively unreviewable if Digital were required to wait until after the trial to appeal. *See Coopers & Lybrand* v. *Livesay*, 437 U.S. 463, 468 (1978). Digital noted that three circuits had held that appellate jurisdiction existed under the collateral order doctrine over an appeal from a district court order refusing to enforce an agreement to forego litigation. *See Janneh* v. *GAF Corp.*, 887 F.2d 432 (2d Cir. 1989), *cert. denied*, 498 U.S. 865 (1990); *Grillet* v. *Sears, Roebuck & Co.*, 927 F.2d 217 (5th Cir. 1991); *Forbus* v. *Sears, Roebuck & Co.*, 958 F.2d 1036 (11th Cir.), *cert. denied*, 113 S. Ct. 412 (1992).

On March 29, 1993, Digital sought a stay from the court of appeals of litigation proceedings in the district court.[1] On May 17, 1993, the Tenth Circuit denied the

[1] The district court had previously denied a stay on March 15, 1993. App. 11a.

stay and dismissed Digital's appeal, concluding that it lacked appellate jurisdiction. App. 1a.

The court of appeals began its analysis by acknowledging that the Second, Fifth, and Eleventh Circuits had held that district court orders of the sort at issue here were appealable under the collateral order doctrine. App. 3a. As the Tenth Circuit stated, however, "[w]ith due respect to our sister circuits, we disagree." *Id.* at 3a.

The court of appeals noted that "[t]o fall within the *Cohen* exception, an order must satisfy at least three conditions: It must conclusively determine the disputed question, resolve an important issue completely separate from the merits of the action, and be effectively unreviewable on appeal from a final judgment." App. at 3a (quoting *Lauro Lines S.R.L.* v. *Chasser*, 490 U.S. 495, 498 (1989)). The court of appeals agreed with Digital that the first requirement was met because the district court had rescinded the Settlement Agreement and withdrawn the notice of dismissal, conclusively determining that the revived case would go forward. App. at 4a. The court further agreed that the complaint of misrepresentation during settlement was separate from the merits of Desktop's trademark claim, relying on this Court's decision in *Mitchell* v. *Forsyth*, 472 U.S. 511 (1985) (question of defendant's qualified immunity "conceptually distinct" from merits and appealable under collateral order doctrine). When it came to the importance of the issue, however, the Tenth Circuit found the issue not important enough to permit appeal, stating that "we part company with our sister circuits, and agree with the position of Judge Cox, dissenting in *Forbus* v. *Sears, Roebuck & Co.*, 958 F.2d 1036 (11th Cir.), *cert. denied*, 113 S. Ct. 412 (1992)." App. 5a.

The court of appeals explained that while "encouragement of out-of-court settlements is desirable," it construed this Court's precedents as taking a narrower view than the other circuits on "which interests are 'important'

enough to fall within the narrow confines of the *Cohen* doctrine." App. 6a. The Tenth Circuit recognized that this Court had applied the *Cohen* doctrine to allow an interlocutory appeal of a non-final order denying an assertion of immunity from trial by a public-official defendant, *see Mitchell* v. *Forsyth, supra,* but did not regard the right not to go to trial at issue in that case as analogous to Digital's right not to go to trial in this case. App. 8a. The court of appeals acknowledged that the "three circuit court decisions that have permitted interlocutory appeals of decisions setting aside settlement agreements have equated the immunity from suit implied by settlement to the immunity from suit that was the subject of *Forsyth*," *id.* at 8a-9a, but criticized those circuits as adopting "too expansive a reading of the 'right not to go to trial' in the context of the *Cohen* doctrine." *Id.* at 9a.

Digital filed a timely petition for rehearing and suggestion for rehearing in banc, specifically noting that the decision below conflicted with decisions from the Second, Fifth, and Eleventh Circuits. The petition and suggestion were denied on June 16, 1993. App. 14a.

REASONS FOR GRANTING THE WRIT

I. THE DECISION BELOW CONFLICTS WITH RECENT DECISIONS OF THE SECOND, FIFTH, AND ELEVENTH CIRCUITS

This Court should grant certiorari to resolve the conflict between the decision below and recent decisions from the Second, Fifth, and Eleventh Circuits. *See* S. Ct. Rule 10.1(a). The Tenth Circuit held that a district court order refusing to enforce a settlement agreement barring litigation was not immediately appealable under the *Cohen* exception to the finality requirement. The Second, Fifth, and Eleventh Circuits have held that such orders are immediately appealable under *Cohen*. *Janneh* v. *GAF Corp.*, 887 F.2d 432 (2d Cir. 1989), *cert. denied,* 498 U.S. 865 (1990); *Grillet* v. *Sears, Roebuck & Co.*, 927

F.2d 217 (5th Cir. 1991); *Forbus* v. *Sears, Roebuck & Co.*, 958 F.2d 1036 (11th Cir.), *cert. denied,* 113 S. Ct. 412 (1992).

This is not a case in which the existence of a circuit conflict needs to be inferred from an analysis of allegedly conflicting cases. Here the court of appeals itself expressly acknowledged the contrary holdings of the other circuits, and nonetheless adopted its position in the face of those holdings. After noting the holdings in *Janneh, Grillet,* and *Forbus,* the court below stated that "[w]ith due respect to our sister circuits, we disagree." App. 3a. Later in its opinion the Tenth Circuit again expressly acknowledged that "we part company with our sister circuits," and instead "agree with the position of Judge Cox," who dissented from the Eleventh Circuit's holding in *Forbus.* App. 5a. In that dissent, Judge Cox expressly recognized that *Janneh* and *Grillet* supported the decision of the *Forbus* majority. *See Forbus,* 958 F.2d at 1043 (Cox, J., dissenting) ("The majority's conclusion is supported by two decisions from other circuits"). Finally, the Tenth Circuit below expressly recognized that *Janneh, Grillet,* and *Forbus* "have permitted interlocutory appeals of decisions setting aside settlement agreements," and criticized the rationale underlying those cases. App. 8a-9a.

Thus, the court below did not attempt to distinguish the conflicting decisions from the three other circuits. It instead candidly acknowledged that it "disagree[d]" with those decisions and was "part[ing] company with" those circuits. This Court should grant certiorari to resolve the resulting conflict.[2]

As the court below recognized, the decisions in *Janneh, Grillet,* and *Forbus* are directly on point. In *Janneh,* an

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[2] The Sixth Circuit has issued an unpublished decision on the question presented consistent with the decision of the court below and in conflict with the Second, Fifth, and Eleventh Circuits. *Helmac Products Corp.* v. *Roth Plastics Corp.*, No. 90-1890 (6th Cir. Dec. 14, 1990).

employee brought a discrimination suit against his employer, and later settled the case for a set sum. Thereafter the employee obtained new counsel, and renounced the settlement agreement on the ground that it was "coerced." The district court declined to enforce the settlement agreement, and the employer appealed. The Second Circuit held that it had jurisdiction over the appeal under the collateral order doctrine.

Writing for the court, Judge Kaufman concluded that the district court order refusing to enforce the settlement agreement resolved an important issue separate from the merits. Contrary to the Tenth Circuit below, the Second Circuit regarded the issue as "important" because it "involves the 'deprivation of significant rights,' namely, [the employer's] bargained-for right to avoid trial by enforcing the settlement agreement." 887 F.2d at 435 (citation and footnote omitted). As Judge Kaufman explained:

> That right implicates our nation's strong judicial and public policies favoring out-of-court settlement. Litigants, courts, and Congress view settlement as a positive force, indispensable to judicial administration. Foregoing formal courtroom procedures, including discovery, trial, briefs and arguments, brings substantial benefits to the parties. The costs of litigation are reduced and crowded dockets are relieved. [*Id.*]

The Second Circuit went on to rule that the employer's asserted right was effectively unreviewable on appeal from a final district court judgment, because " 'the essence' of the claimed right is a right not to go to trial at all." 887 F.2d at 435 (quoting *Van Cauwenberghe* v. *Biard*, 486 U.S. 517, 524 (1988)).

> One crucial benefit of a settlement agreement is, as we have indicated, the avoidance of trial. [The employer] bargained for and obtained the right to avoid a trial by agreeing to a settlement. The essence of that right could not be vindicated effectively after the trial has occurred. Reversing the order after an appeal from a final judgment would be as effective as slamming the barn door after the horse has already bolted. [*Janneh*, 887 F.2d at 436.]

In contrast, the Tenth Circuit below—also citing *Van Cauwenberghe*—ruled that this was "too expansive a reading of the 'right not to go to trial' in the context of the *Cohen* doctrine." App. 9a.

The Second Circuit in *Janneh* was careful to distinguish this Court's decision in *Lauro Lines S.R.L.* v. *Chasser*, 490 U.S. 495 (1989), a case in which the Court held that an order denying a motion to dismiss on the basis of a forum-selection clause was not appealable under *Cohen*. The *Janneh* court noted that its case was "distinguishable since 'an entitlement to avoid suit is different in kind from an entitlement to be sued only in a particular forum.' " 887 F.2d at 436 (quoting *Lauro Lines S.R.L.*, 490 U.S. at 501). The Tenth Circuit below, in contrast, failed to recognize this express distinction noted in the *Lauro Lines* opinion itself, and relied on *Lauro Lines* to support its decision. App. 10a.

Finally, while the court below remanded the case for discovery and a trial that may be wholly unnecessary, the Second Circuit in *Janneh* recognized that through its decision it "gain[ed] an opportunity to review an order whose main effect is to keep alive litigation that arguably has been settled—thereby increasing the burden on the system as a whole." 887 F.2d at 433. Indeed, the *Janneh* court—reaching the merits—reversed the district court order and enforced the Settlement Agreement, thereby bringing an end to the litigation. *Id.* at 436-437.

The Fifth Circuit followed the reasoning of the *Janneh* court in *Grillet* v. *Sears, Roebuck & Co.*, 927 F.2d 217 (5th Cir. 1991). *Grillet* involved a terminated employee who signed an agreement waiving claims against her employer in exchange for a higher severance payment. The employee later sued anyway, and the district court refused to enforce the agreement barring litigation. The

employer appealed, and the Fifth Circuit held that it had appellate jurisdiction over the non-final order under *Cohen*.

Writing for the Fifth Circuit, Judge Duhé concluded that the requirement that the order resolve an important issue separate from the merits was satisfied. 927 F.2d at 219. He further explained—contrary to the Tenth Circuit's analysis below—that the order was effectively unreviewable on appeal from a final judgment, because "[t]he essence of the claimed right is the right not to go to trial at all." *Id.* at 220. Quoting from the Second Circuit's decision in *Janneh*, the Fifth Circuit ruled that the right the employer bargained for to avoid litigation was a right "the legal and practical value of which would be destroyed if it were not vindicated before trial." *Id.* (quoting *Janneh*, 887 F.2d at 435) (citations omitted). Reaching the merits, the *Grillet* court enforced the agreement, bringing an end to the litigation. 927 F.2d at 220-221.

In *Forbus* v. *Sears, Roebuck & Co.*, 958 F.2d 1036, 1039 (11th Cir. 1992), the Eleventh Circuit stated that "[w]e agree with the Fifth and Second Circuits that the collateral order doctrine should be applied to review an interlocutory order which denies enforcement of an agreement to forego litigation." *Forbus* involved terminated employees who received an enhanced severance package upon signing an agreement precluding litigation against the former employer. The employees later filed suit, which the district court refused to dismiss. The employer appealed, and the Eleventh Circuit held that it had jurisdiction pursuant to the *Cohen* exception to the finality requirement.

Judge Dubina, writing for the majority, expressly followed the reasoning of *Janneh* and *Grillet*. 958 F.2d at 1039. He noted that while the Supreme Court had not addressed the precise question presented, it had applied the *Cohen* doctrine to orders denying public official immunity, 958 F.2d at 1039 (citing *Nixon* v. *Fitzgerald*,

457 U.S. 731 (1982) and *Mitchell* v. *Forsyth*, 472 U.S. 511 (1985)), and to orders denying motions to compel arbitration, 958 F.2d at 1039 (citing *Moses H. Cone Memorial Hosp.* v. *Mercury Constr. Corp.*, 460 U.S. 1 (1983)). The Eleventh Circuit concluded that "we are persuaded that the collateral order doctrine vests this court with jurisdiction to review the merits of [the employer's] appeal," reasoning that "[t]he essence of [the employer's] claim * * * is that it contracted for the right to avoid being sued by the [employees]." 958 F.2d at 1040.

Judge Cox dissented. He recognized that the Second Circuit's decision in *Janneh* and the Fifth Circuit's decision in *Grillet* were "on point" and supported the majority's conclusion, *id.* at 1043, but argued that the "asserted right not to be sued based upon private agreements * * * is not sufficiently important to justify an interlocutory appeal." *Id.* at 1044. As noted, the Tenth Circuit below expressly agreed with this dissenting opinion. App. 5a.

Most recently, the Second Circuit reaffirmed its understanding that cases like the present one satisfy the requirements of the collateral order doctrine. In *Chaput* v. *Unisys Corp.*, 964 F.2d 1299 (2d Cir. 1992), the court reviewed the facts and holdings of *Janneh* and *Grillet*, explaining that "[u]nder *Janneh* and *Grillet*, we may have jurisdiction on the ground that a release from liability protects the released party from the distractions and expenses of a trial as well as from further monetary liability." *Id.* at 1301. Accepting the analogy that the Tenth Circuit below expressly rejected, the Second Circuit noted that "[t]his theory is analogous to that applied to claims of double jeopardy or qualified immunity. In those cases, the claim asserted is not only a defense to liability but also an immunity from trial." *Id.* (citation omitted).[3]

[3] The court in *Chaput* concluded that the specific order before it was not appealable under *Cohen* because remaining factual disputes meant that the order had not finally resolved the collateral issue in

As the foregoing makes clear, there is a sharp and irreconcilable conflict among the circuits on the question presented. This acknowledged conflict is well-developed. The issue has been fully aired in the published opinions of the Second, Fifth, and Eleventh Circuits, on the one hand, and the published opinion of the Tenth Circuit in this case and the dissenting opinion of Judge Cox in *Forbus*, on the other. These cases were all decided within the past four years; this is not a situation in which an asserted conflict is based on an obsolete precedent of questionable validity.

Nor is this a situation in which the conflict among the circuits is explainable on the ground that the courts looked to different precedents, where the hope remains that the conflict will be resolved as the circuits consider precedents previously overlooked. Here the courts of appeals looked to and relied on the same body of law in reaching directly opposite holdings.

Indeed, the disparity in interpretation of this Court's cases by the conflicting circuits is striking. The Tenth Circuit below and Judge Cox in dissent relied on *Lauro Lines*; the Second Circuit in *Janneh* distinguished it. *Compare* App. 10a and 958 F.2d at 1043-44 *with* 887 F.2d at 436. The Eleventh Circuit in *Forbus* and Second Circuit in *Chaput* reasoned by analogy to *Mitchell*; the court below distinguished it. *Compare* 958 F.2d at 1039 and 964 F.2d at 1301 *with* App. 8a. The court below and Judge Cox in dissent cited *Midland Asphalt Corp.* v. *United States*, 489 U.S. 794 (1989), in support of their conclusion; the Second Circuit in *Janneh* and Fifth Circuit in *Grillet* cited it in support of the opposite view. *Compare* App. 9a and 958 F.2d at 1043 *with* 887 F.2d at 435 and 927 F.2d at 220.

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dispute. 964 F.2d at 1301, 1304. Here the Tenth Circuit ruled that the district court's decision was "the final word on the subject addressed," because the district court granted Desktop's motion to rescind the settlement agreement and reinstated the suit. App. 4a (quotation omitted).

The conflict concerns an important and recurring issue of federal law. As explained more fully below, upholding the finality and binding effect of agreements not to litigate is critical to the effective administration of justice in the federal system. *See infra* at 20-25. In addition, the use of this Court's certiorari resources to resolve questions of jurisdiction is particularly appropriate, given the need for uniformity in the federal judicial system on such threshold questions as the authority of a court to hear an appeal. Indeed, this Court has consistently regarded circuit conflicts on application of the collateral order doctrine as warranting review.[4] As noted, the conflict here was expressly acknowledged, and is direct and irreconcilable. It is in no sense fact-bound. This Court should grant the writ to resolve it.

II. THE DECISION BELOW WAS WRONGLY DECIDED AND CONFLICTS WITH THIS COURT'S PRECEDENTS

The court below misapplied this Court's precedents in putting itself in conflict with the Second, Fifth, and Eleventh Circuits. The court of appeals based its departure from the other circuits on an "intertwined" analysis of the "importance" of the issue and the requirement under the

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[4] *See, e.g., Puerto Rico Aqueduct & Sewer Auth.* v. *Metcalf & Eddy, Inc.*, 113 S. Ct. 684, 686 (1993) ("In light of the conflict between the decision below and those of the other Courts of Appeals that have considered the issue, we granted certiorari"); *Lauro Lines*, 490 U.S. at 497 ("We granted certiorari to resolve a disagreement among the Courts of Appeals"); *Midland Asphalt*, 489 U.S. at 797 ("We granted certiorari to resolve a disagreement among the Courts of Appeals"); *Mitchell* v. *Forsyth*, 472 U.S. at 519 ("the issue of the appealability before final judgment of orders denying immunity * * * is one that has divided the Courts of Appeals"); *Firestone Tire & Rubber Co.* v. *Risjord*, 449 U.S. 368, 373 (1981) ("We granted certiorari * * * to resolve a conflict among the Circuits on the appealability question"); *Coopers & Lybrand*, 437 U.S. at 465 (certiorari granted "[b]ecause there is a conflict in the Circuits over this issue").

collateral order doctrine that the order be effectively unreviewable on appeal from a final order. App. 5a. The court erred seriously in both aspects of its reasoning. A right to avoid litigation is not reviewable after the trial has taken place; that is "slamming the barn door after the horse has already bolted." *Janneh*, 887 F.2d at 436. And few public policies are more important to the administration of justice than the policy in favor of encouraging parties to enter into binding and final settlements.

The third requirement of the *Cohen* exception is that the district court order "be effectively unreviewable on appeal from a final judgment." *Lauro Lines*, 490 U.S. at 498; *Coopers & Lybrand* v. *Livesay*, 437 U.S. at 468. For example, a district court order rejecting a claim that the Double Jeopardy Clause precludes trial is immediately appealable even though it is interlocutory, because the double jeopardy claim is a claim to be free from a second trial, not simply a claim that the defendant cannot be convicted. Requiring that the defendant await a final judgment to raise the double jeopardy claim would protect the defendant against a second conviction, but would not vindicate his interest in avoiding "the personal strain, public embarrassment, and expense of a criminal trial more than once for the same offense." *Abney* v. *United States*, 431 U.S. 651, 661 (1977).

By the same token, a district court order rejecting a claim of qualified immunity from suit is also immediately appealable under *Cohen*. Requiring a public official to await a final judgment to appeal such an order would protect the official's interest in not being found liable for good faith acts within the scope of his official responsibility, but not his interest in avoiding the burdens of trial itself. That interest is "effectively lost if a case is erroneously permitted to go to trial," and accordingly the district court order is "effectively unreviewable on appeal from a final judgment." *Mitchell* v. *Forsyth*, 472 U.S. at 525-527. *See also Nixon* v. *Fitzgerald*, 457 U.S. 731 (1982). An interlocutory appeal is therefore allowed.

Most recently, the Court held in *Puerto Rico Aqueduct & Sewer Auth.* v. *Metcalf & Eddy, Inc.*, 113 S. Ct. 684 (1993), that a district court order denying an agency's motion to dismiss a lawsuit on Eleventh Amendment grounds was immediately appealable under the collateral order doctrine. The Court analogized such a case to the public official's immunity in *Mitchell*, noting that the claimed right was effectively unreviewable on appeal from a final judgment, because "the value to the States of their Eleventh Amendment immunity * * * is for the most part lost as litigation proceeds past motion practice." *Id.* at 688.

The court below erred in not applying these precedents to the present case. Although the court of appeals could rule in Digital's favor on the settlement issue after trial—just as an appellate court could rule in favor of a defendant on a double jeopardy claim or a public official or state on an immunity claim after trial—such a ruling would not vindicate Digital's right under the agreement to avoid trial. As this Court has explained, the issue is "whether an essential aspect of the claim is the right to be free of the burdens of a trial." *Van Cauwenberghe* v. *Biard*, 486 U.S. at 525. The other circuits have recognized that the essence of the claim of a party seeking to enforce a settlement agreement is the right to avoid trial. *See Janneh*, 887 F.2d at 436 ("One crucial benefit of a settlement agreement is * * * the avoidance of trial. * * * The essence of that right could not be vindicated effectively after the trial has occurred"); *Grillet*, 927 F.2d at 220 ("The essence of the claimed right is the right not to go to trial at all"); *Chaput*, 964 F.2d at 1301 (parties entering into agreements to bar litigation are "bargaining to avoid the distractions and costs of trial as well as further liability from damages"). For this reason, the other circuits relied upon the analogy to the double jeopardy and immunity cases in ruling that an order refusing to enforce an agreement not to litigate is immediately appealable under *Cohen*. *See Janneh*, 887

F.2d at 435; *Forbus*, 958 F.2d at 1039; *Chaput*, 964 F.2d at 1301.

Here there can be no doubt that Digital entered into the Settlement Agreement to avoid the costs and burdens of preparing for and going to trial. The agreement, of course, specifically obligated Desktop to execute and file a notice of dismissal. Settlement Agreement, ¶ 6. The agreement provided that some 94 percent of the settlement amount was paid to Desktop *"for dismissal of the * * * lawsuit* and a waiver of all damages * * *." Settlement Agreement, ¶ 8 (emphasis added). Desktop itself recognizes that "[i]n the settlement agreement * * *, one of the principal items of consideration was the agreement by Plaintiff to file a Notice of Dismissal." Memorandum in Support of Motion of Plaintiff to Withdraw Notice of Dismissal, at 19. The agreement was entered into prior to service of the complaint and before any costly and time-consuming discovery, precisely because the agreement was intended to avoid the burdens of trial and preparation for trial.

The Supreme Court cases relied upon by the Tenth Circuit—the same cases relied upon by the other circuits for the opposite conclusion—do not support the Tenth Circuit's analysis.

In *Midland Asphalt*, the Court determined that a district court order denying a motion to dismiss an indictment because of a violation of Fed. R. Crim. P. 6(e)(2)—which prohibits disclosure by government attorneys of grand jury matters—was not appealable under *Cohen*. The Court explained that nothing in Rule 6(e) suggests that it conferred a right to avoid trial. 489 U.S. at 802. Here, in contrast, the "essence" of Digital's claimed right under the Settlement Agreement was the right to avoid trial. The *Midland* Court found nothing in "[t]he text" of Rule 6(e) to indicate that it conferred a right to avoid trial, but here the text of the Settlement Agreement plainly states that avoidance of trial is precisely what Digital bargained and paid for.

United States v. *MacDonald*, 435 U.S. 850 (1978), held that denial of a motion to dismiss on speedy trial grounds was not appealable under *Cohen*. The Court reasoned that it was "the delay before trial, not the trial itself, that offends against the constitutional guarantee of a speedy trial," and that therefore the speedy trial right was not a right to avoid trial. "Proceeding with the trial does not cause or compound the deprivation already suffered." *Id.* at 861. Again, the opposite is true here. Digital's bargained-for right is the right not to be required to go to trial on Desktop's complaint—a right that will be lost if Digital must go to trial before it can appeal.

In relying on *Midland Asphalt* and *MacDonald*, the court below failed to appreciate a key distinction noted several times by this Court. *Midland Asphalt* and *MacDonald* were criminal cases, and this Court has been particularly reluctant to apply the collateral order doctrine in the criminal context. As the Court explained in *MacDonald*, "[t]he rule of finality has particular force in criminal prosecutions because 'encouragement of delay is fatal to the vindication of the criminal law.'" 435 U.S. at 853-854 (quoting *Cobbledick* v. *United States*, 309 U.S. 323, 325 (1940)). *See also Midland Asphalt*, 489 U.S. at 799 ("We have interpreted the collateral order exception 'with the utmost strictness' in criminal cases") (quoting *Flanagan* v. *United States*, 465 U.S. 259, 265 (1984)). The Tenth Circuit below noted that *Midland Asphalt* and *MacDonald* were criminal cases, but then stated that they demonstrated "the strict reading of the 'right not to go to trial' *in cases like this one*," App. 9a (emphasis added), without any mention of the significance of the criminal/civil distinction noted in both the *Midland Asphalt* and *MacDonald* opinions themselves. More significantly, the court below failed to recognize that the Court's holdings in *Midland Asphalt* and *MacDonald* were that those cases did not involve the "right not to go to trial" at all, while this case indisputably does.

The Tenth Circuit also erred in relying on this Court's decision in *Van Cauwenberghe* v. *Biard, supra.* In that case this Court held that the collateral order doctrine did not extend to a district court order denying a motion to dismiss on the ground of specialty under an extradition treaty. The Supreme Court explained that the principle of specialty was basically a matter of treaty obligation between two sovereigns, rather than conferral of a right on the individual to be free from civil trial. 486 U.S. at 525. Significantly, the Court noted that its decision was based on "the absence of an explicit agreement obligating the United States to protect the extradited person from the burdens of a civil suit." *Id.* & n.4. Here, of course, there *was* an explicit agreement between the contracting parties to protect Digital "from the burdens of a civil suit." That was the essence of the Settlement Agreement.[5]

Perhaps the most surprising error of the court below was its reliance on this Court's decision in *Lauro Lines.* There the Court held that a district court order refusing to dismiss a suit on the ground that it violated a forum selection provision was not immediately appealable under the collateral order doctrine. 490 U.S. at 501. The Tenth Circuit below stated that "[w]e do not see how a private settlement contract is significantly different from the contracted forum selection clause the Supreme Court refused to enforce through interlocutory appeal in *Lauro Lines.*" App. 10a. The Supreme Court itself, however, recognized the key distinction in its opinion, explaining that "an entitlement to avoid suit is different in kind from an entitlement to be sued only in a particular forum." 490 U.S. at

[5] The Court in *Van Cauwenberghe* also held that denial of a motion to dismiss on *forum non conveniens* grounds was not appealable under the collateral order doctrine. 486 U.S. at 527-530. The Court reasoned that the *forum non conveniens* issue was not "completely separate from the merits of the action." *See id.* at 527 (quoting *Coopers & Lybrand*, 437 U.S. at 468). The Tenth Circuit found that requirement satisfied in the present case. App. 4a-5a.

501. Here Digital's entitlement under the Settlement Agreement is "to avoid suit"—an entitlement "different in kind" from that considered in *Lauro Lines. See Janneh,* 887 F.2d at 436 (distinguishing *Lauro Lines* on that basis).[6]

The court below noted this Court's admonition "not to play word games with the concept of a right not to be tried." App. 9a (quoting *Midland Asphalt,* 489 U.S. at 801). The concern is that any right not to be convicted or found liable could be characterized as a "right not to be tried," extending the collateral order exception beyond reasonable bounds. Thus, for example, a defendant with a valid defense to a tort claim could contend that he has a right not to be tried on that claim—because he is innocent of the charge—and that he should therefore be able to appeal an interlocutory order rejecting the defense. That is plainly not the case here. Digital's right under the express terms of the Settlement Agreement is not simply a defense to liability, but a right not to be tried. *See* Settlement Agreement, ¶¶ 6, 8. Conferring upon Digital

[6] The court below quoted *Midland Asphalt* for the proposition that the right not to be tried under *Cohen* "rests upon *an explicit statutory or constitutional guarantee* that trial will not occur." App. 9a (quoting 489 U.S. at 801 (emphasis added by court below)). As the Tenth Circuit itself noted, however, this Court has not so limited application of the collateral order doctrine. App. 6a, 8a (citing *Mitchell* v. *Forsyth, supra*). *See also Nixon* v. *Fitzgerald,* 457 U.S. 731 (1982). And this Court has never held *Cohen* inapplicable because the asserted right was based on enforceable law other than the Constitution or a statute. *See, e.g., Lauro Lines,* 490 U.S. at 498-501 (citing *Midland Asphalt* but considering appealability of order refusing to enforce contractual forum selection clause under normal criteria for applying collateral order doctrine). The question under this Court's precedents turns on whether the essence of the right asserted is the right to avoid trial, *see Van Cauwenberghe,* 486 U.S. at 524, and the importance of the right. It was on those key questions that the Tenth Circuit consciously departed from the decisions of the Second, Fifth, and Eleventh Circuits—all decided after *Midland Asphalt.*

the right to avoid litigation altogether was the consideration provided by Desktop under the agreement. That right will be irretrievably lost if Digital must wait until after trial to appeal.[7]

III. THE CONFLICT AMONG THE CIRCUITS CONCERNS A QUESTION OF OVERRIDING IMPORTANCE AS TO WHICH UNIFORMITY IS REQUIRED

The Tenth Circuit's analysis below hinged on a policy judgment that the public policies favoring out-of-court settlement were not sufficiently "important" to justify interlocutory appeal to vindicate those policies. App. 5a. The court of appeals recognized that its policy judgment in this regard differed from that of its sister circuits. *Id.* at 5a. *See e.g., Janneh*, 887 F.2d at 435 ("bargained-for right to avoid trial by enforcing [a] settlement agreement * * * implicates our nation's strong judicial and public policies favoring out-of-court settlement").

Contrary to the Tenth Circuit's conclusion, there can be little doubt that "[f]ew public policies are as well established as the principle that courts should favor voluntary settlements of litigation by the parties to a dispute." *American Sec. Vanlines, Inc.* v. *Gallagher*, 782 F.2d 1056, 1060 (D.C. Cir. 1986) (quoting district court decision). *Williams* v. *First Nat'l Bank*, 216 U.S. 582, 595 (1910) ("[c]ompromises of disputed claims are favored

[7] The Tenth Circuit's reliance on *Baltimore Contractors, Inc.* v. *Bodinger*, 348 U.S. 176 (1955), *overruled, Gulfstream Aerospace Corp.* v. *Mayacamas Corp.*, 485 U.S. 271, 280-283 (1988), is misplaced. *See* App. 10a. In applying the collateral order doctrine, the Court is not expanding jurisdiction in the absence of congressional authority. It is instead construing the jurisdiction conferred by Congress in 28 U.S.C. § 1291, as the Court recognized in *Cohen*, 337 U.S. at 546 ("The Court has long given this provision of the statute this practical rather than a technical construction"), and has reiterated ever since. *See, e.g., Firestone Tire & Rubber Co.* v. *Risjord*, 449 U.S. 368, 375 (1981).

by the courts"); *Hemstreet* v. *Spiegel, Inc.*, 851 F.2d 348, 350 (Fed. Cir. 1988) ("The law strongly favors settlement of litigation, and there is a compelling public interest and policy in upholding and enforcing settlement agreements voluntarily entered into").[8] As the *Janneh* court explained, "[l]itigants, courts, and Congress view settlement as a positive force, indispensable to judicial administration. Foregoing formal courtroom procedures, including discovery, trial, briefs and arguments, brings substantial benefits to the parties. The costs of litigation are reduced and crowded dockets are relieved." 887 F.2d at 435.[9]

[8] The courts of appeals have repeated this assessment on numerous occasions. *See, e.g., Justine Realty Co.* v. *American Nat'l. Can Co.*, 976 F.2d 385, 391 (8th Cir. 1992) ("Settlement agreements are generally encouraged and favored by the courts"); *In re Smith*, 926 F.2d 1027, 1029 (11th Cir. 1991) ("Settlement is generally favored because it conserves judicial resources"); *Bass* v. *Phoenix Seadrill/78, Ltd.*, 749 F.2d 1154, 1164 (5th Cir. 1985) ("public policy favors voluntary settlements which obviate the need for expensive and time-consuming litigation").

[9] This case is a good example of the importance of permitting appeal under the collateral order doctrine of district court orders failing to enforce agreements not to litigate. The district court plainly applied the wrong legal standards in granting Desktop's motion to withdraw its notice of dismissal and rescind the Settlement Agreement. The district court granted the motion and reinstated the litigation because "a fact finder *could* determine that [Digital] failed to disclose material facts to plaintiff during settlement negotiations * * *." App. 13a (emphasis added). There is, however, no duty to disclose to an adversary during settlement negotiations. *See, e.g., Southwest E&T Suppliers, Inc.* v. *American Enka Corp.*, 463 F.2d 1165, 1166 (5th Cir. 1972); *Holman* v. *Gulf Refining Co.*, 76 F.2d 94, 98 (5th Cir.), *cert. denied*, 296 U.S. 590 (1935); *In re Appraisal of Enstar Corp.*, 593 A.2d 543, 549 (Del. Ch. 1991), *rev'd on other grounds*, 604 A.2d 404 (Del. 1992).

Even if there were, the Settlement Agreement should not have been set aside and the litigation reinstated on the basis of fraud simply because a fact finder "could" have found a failure to disclose. Given the importance of binding and final settlement agreements to the administration of justice, such agreements are not

The importance of settlement to the judicial process has increased as dockets have become more crowded. Between 1958 and 1988, the number of cases filed in the federal district courts tripled. *See Report of the Federal Court Study Committee* 5 (1990). During roughly the same period, from 1940 to 1985, the percentage of cases reaching trial in the federal courts dropped from about 15 percent to about 5 percent. *See* Galanter, *The Day After the Litigation Explosion*, 46 Md. L. Rev. 3, 8 (1986). Settlement plainly accounts for a great number of the cases terminated prior to trial in the federal courts. The strong public policy in favor of settlements is grounded in the reality that even a modest increase in the number of cases going to trial would strain already over-burdened judicial resources and further frustrate dispute resolution.

The public policy in favor of settlements is reflected in rules designed to encourage settlement agreements. Federal Rule of Civil Procedure 68, concerning offers of judgment, is expressly designed "to encourage settlement and avoid protracted litigation." Advisory Committee Note to 1946 Amendment to Rule 68. *See Marek* v. *Chesny*, 473 U.S. 1, 5 (1985) ("The plain purpose of Rule 68 is to encourage settlement and avoid litigation"). The strong public policy in favor of settlements underlies Federal Rule of Evidence 408, regarding admissibility of

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set aside on the basis of such speculation. *See infra*, at 23. In addition, a party seeking to set aside such an agreement on the basis of fraud must establish fraud through clear and convincing evidence, not simply meet the standard necessary to present the issue to a fact finder. *See Crookston* v. *Fire Ins. Exchange*, 817 P.2d 789, 800 (Utah 1991); Fed. R. Civ. P. 60(b)(3). Unless orders refusing to enforce agreements to forego litigation are appealable under the collateral order doctrine, parties in Digital's situation will be compelled to endure the very burdens and expense of litigation they bargained to avoid, before being afforded the opportunity to secure appellate review of such plainly erroneous rulings of law.

offers to settle litigation. *See* S. Rep. No. 1277, 93d Cong., 2d Sess. (1974) ("The purpose of this rule is to encourage settlements which would be discouraged if such evidence were admissible"). In passing the Civil Justice Reform Act of 1990, Pub. L. No. 101-650, 104 Stat. 5089 (1990) (codified at 28 U.S.C. §§ 471-482), Congress encouraged federal district courts to examine the advisability of mechanisms to facilitate settlement. It required each court, in formulating a "civil justice expense and delay reduction plan," to consider increased use of settlement conferences and alternative dispute resolution procedures. *See, e.g.*, 28 U.S.C. § 473(a)(3)(A), (b)(2) & (b)(4).

Society's interest in encouraging settlement agreements would of course be completely undermined if such agreements could be readily upset. For this reason, courts have routinely refused to reopen cases that have settled except in extraordinary circumstances. Settlement agreements are contractual arrangements to avoid litigation. As such, "a litigant can no more repudiate a compromise agreement than he could disown any other binding contractual relationship." *Dacanay* v. *Mendoza*, 573 F.2d 1075, 1078 (9th Cir. 1978). *Accord Bostick Foundry Co.* v. *Lindberg*, 797 F.2d 280, 283 (6th Cir. 1986) ("Once concluded, a settlement agreement is as binding, conclusive and final as if it had been incorporated into a judgment and the actual merits of the antecedent claims will not thereafter be examined"), *cert. denied*, 479 U.S. 1066 (1987); *Kaktovik* v. *Watt*, 689 F.2d 222, 230 (D.C. Cir. 1982) ("A settlement contract may not be unilaterally rescinded"). In short, public policy favors *binding* and *final* settlement agreements.

The consequences of the decision below are not simply that appellate courts will lose the "opportunity to review an order whose main effect is to keep alive litigation that arguably has been settled—thereby increasing the burden on the system as a whole." *Janneh*, 887 F.2d at 433.

The Tenth Circuit's rule will also encourage plaintiffs to seek to reopen settlement agreements more frequently, for they will sometimes regain the benefit of a litigation threat through erroneous district court decisions to set aside settlement agreements, decisions that will not be subject to review until the threat has served its purpose. For example, a plaintiff in a patent infringement case may settle based on a particular view concerning how valuable the patent is. If after settlement it turns out that the patent as exploited by the defendant was far more valuable than the plaintiff envisioned, the plaintiff will want to rescind the settlement, regain his leverage of threatened litigation, and begin negotiations anew. If the defendant cannot obtain review of a district court order authorizing such action without enduring the very trial he bargained to avoid, the value of the settlement is significantly diminished. This is particularly true when—as here—the plaintiff is allowed to keep the large sum paid in settlement in the meantime.

Congress recently confirmed its understanding of public policy in this area in its 1988 amendments to the Arbitration Act. Pub. L. No. 100-702, Title X, § 1019(a), 102 Stat. 4670 (1988), renumbered Pub. L. No. 101-650, Title III, § 325(a)(1) (1990). Congress specified that an immediate appeal may be taken from an order refusing to compel arbitration or refusing to stay litigation referable to arbitration, 9 U.S.C. § 16(a), while an immediate appeal may not be taken from an order permitting arbitration to proceed over litigation. 9 U.S.C. § 16(b). These provisions recognize that parties agree to arbitrate to avoid the costs and burdens of litigation, and that requiring a party to await the completion of trial before appealing an order refusing to direct arbitration would deprive the party of the essence of his right under the arbitration provision. The same logic and public policy considerations should inform the courts' application of the collateral order doctrine to the facts here, as the Second

Circuit indicated in *Janneh*. *See* 887 F.2d at 436 n.5 (citing Arbitration Act).

There are, of course, important interests counseling in favor of limiting appellate review to final judgments. We in no way take issue with or seek to minimize those interests. What is important to recognize, however, is that those interests *support* allowing review under the collateral order doctrine in this case. The interest generally invoked in support of restricting review to final judgments is the interest in conserving judicial resources by avoiding piecemeal review. Whatever may be the case with respect to other asserted rights, when the right sought to be vindicated on appeal is the right to avoid litigation altogether because of a settlement agreement, the interest in conserving judicial resources strongly supports allowing review before trial to enforce the settlement.

* * * *

As the court below candidly recognized, its decision conflicts with recent decisions of the Second, Fifth, and Eleventh Circuits. That irreconcilable circuit conflict concerns a question of federal jurisdiction, making it particularly appropriate for review by this Court. In putting itself in conflict with the other circuits, the Tenth Circuit misapplied this Court's precedents recognizing that a right to avoid trial is effectively unreviewable after trial. Given the importance of binding and final settlement agreements to the administration of justice in the federal judicial system, and the need for uniformity among the circuits, this Court should grant the writ to resolve the conflict.

CONCLUSION

For the foregoing reasons, this Court should grant the writ and reverse the decision below.

Respectfully submitted,

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APPENDICES

APPENDIX A

UNITED STATES COURT OF APPEALS
TENTH CIRCUIT

No. 93-4024

DESKTOP DIRECT, INC.,
a Utah corporation,
Plaintiff-Appellee,
v.

DIGITAL EQUIPMENT CORPORATION,
a Massachusetts corporation,
Defendant-Appellant.

On Motion for Stay of an Order of the
United States District Court
for the District of Utah

(D.C. No. 92-CV-178G)

[Filed May 17, 1993]

Submitted on the briefs:

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H. Ross Workman and Larry R. Laycock of Workman, Nydegger & Jensen, Salt Lake City, Utah; and John Paul Kennedy, Salt Lake City, Utah, for Plaintiff-Appellee.

Before LOGAN, ANDERSON and TACHA, Circuit Judges.

LOGAN, Circuit Judge.

This matter is before us on defendant Digital Equipment Corporation's motion for a stay of the district court's order entered January 5, 1993. We have considered the motion, the brief in support thereof, plaintiff Desktop Direct, Inc.'s response, and defendant's reply memorandum, which we grant leave to be filed.

I

Plaintiff filed suit in district court alleging trademark infringement and unfair competition by defendant. The parties agreed on a settlement before trial, and plaintiff consequently sought and received a voluntary dismissal of the suit. Subsequently, however, plaintiff moved to vacate the dismissal and rescind the settlement agreement, contending that defendant had procured the agreement by fraud and misrepresentation. The district court granted the motion on January 5, 1993, finding that "a fact finder could determine that defendant failed to disclose material facts to plaintiff during settlement negotiations which would have resulted in rejection of the settlement offer by the plaintiff." Plaintiff's notice of dismissal was therefore permitted to be withdrawn, and the settlement agreement rescinded. The district court denied defendant's later motion to reconsider and for a stay pending appeal.

Before addressing the merits of defendant's stay motion addressed to this court, as a threshold matter we must consider whether we have jurisdiction to consider an appeal from the district court's order.

II

Under 28 U.S.C. § 1291, this court has "jurisdiction of appeals from all final decisions of the district courts of the United States." A final decision is "a decision by the district court that ends the litigation on the merits and leaves nothing for the court to do but execute the judgment." *Lauro Lines S.R.L. v. Chasser,* 490 U.S. 495, 497 (1989) (quotations omitted). Here, because the district court's order not only set aside the settlement but also permitted withdrawal of the notice of dismissal, the case is now set for trial, and "the order ensures that litigation will continue in the District Court." *Gulfstream Aerospace Corp. v. Mayacamas Corp.,* 485 U.S. 271, 275 (1988). The order is therefore not final for purposes of § 1291.

This much defendant concedes, but it argues that the case falls within the long-recognized "collateral order" exception to the final judgment requirement. *See Cohen v. Beneficial Indus. Loan Corp.,* 337 U.S. 541 (1949). "[T]o fall within the *Cohen* exception, an order must satisfy at least three conditions: It must conclusively determine the disputed question, resolve an important issue completely separate from the merits of the action, and be effectively unreviewable on appeal from a final judgment." *Lauro Lines,* 490 U.S. at 498 (quotations omitted). Defendant argues that this district court order satisfies each of these criteria for appealability, citing cases from the Eleventh, Fifth, and Second Circuits that so hold.[1] With due respect to our sister circuits, we disagree.

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[1] *See Forbus v. Sears, Roebuck & Co.,* 958 F.2d 1036, 1039-40 (11th Cir.), *cert. denied,* 113 S. Ct. 412 (1992); *Grillet v. Sears,*

A

The first requirement is that the order conclusively determine the validity and enforceability of the settlement agreement. The language of the district court is somewhat cryptic, ruling only that a fact-finder "could" have a basis for finding misrepresentation. From that we are unsure whether the district court contemplates submitting this issue to a jury. But we conclude that it does not because its order specifically grants plaintiff's motion to *rescind* the agreement, and it reinstates the suit against defendant. We consider the district court's decision therefore as "the final word on the subject addressed," *Moses H. Cone Memorial Hosp. v. Mercury Constr. Corp.*, 460 U.S. 1, 12-13 n.14 (1983), thus satisfying the first requirement for appealability.

B

The second element of the test for appealability has two parts: The issue must be "important," and "completely separate from the merits of the action." Considering separateness first, in *Mitchell v. Forsyth*, 472 U.S. 511 (1985), the Court held that the question of a defendant's qualified immunity was "conceptually distinct from the merits of the plaintiff's claim," *id.* at 527, notwithstanding the fact that "the resolution of these legal issues will entail consideration of the factual allegations that make up the plaintiff's claim for relief," *id.* at 528. The same is true in this case. Plaintiff alleges that during settlement negotiations defendant misrepresented the date it acquired knowledge of plaintiff's trademark. Although these contentions may have some relevance to the underlying claim, the complaint of misrepresentation dur-

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Roebuck & Co., 927 F.2d 217, 219-20 (5th Cir. 1991); *Janneh v. GAF Corp.*, 887 F.2d 432, 434-36 (2d Cir. 1989), *cert. denied*, 498 U.S. 865 (1990); *see also Chaput v. Unisys Corp.*, 964 F.2d 1299, 1301 (2d Cir. 1992).

ing settlement negotiations is "conceptually distinct" from the trademark violation charges.

C

The question of the "importance" of the issue is more difficult. It is also intertwined with the third *Cohen* requirement that the issue be effectively unreviewable on appeal from a final judgment. The district court's decision setting aside the settlement agreement could be reviewed on appeal after trial. We could set aside a decision on the merits in plaintiff's favor on the basis that the settlement agreement was valid and enforceable against plaintiff. Only by characterizing plaintiff's expectation that no trial will occur after entering a settlement agreement as "a right not to be tried" can we say it is unreviewable after a final judgment. Thus, we must determine whether this expectation contemplated in the settlement agreement is important enough—a matter of such independent significance—that it must be vindicated by allowing an interlocutory appeal absent a constitutional or statutory basis. Here we part company with our sister circuits, and agree with the position of Judge Cox, dissenting in *Forbus v. Sears, Roebuck & Co.*, 958 F.2d 1036 (11th Cir.), *cert. denied*, 113 S. Ct. 412 (1992).

In *Janneh v. GAF Corp.*, 887 F.2d 432 (2d Cir. 1989), *cert. denied*, 498 U.S. 865 (1990), the Second Circuit held that a district court order refusing to enforce a settlement agreement

> is "important" because the order involves the deprivation of significant rights, namely, GAF's bargained-for right to avoid trial by enforcing the settlement agreement. That right implicates our nation's strong judicial and public policies favoring out-of-court settlement. Litigants, courts, and Congress view settlement as a positive force, indispensible to judicial administration. Foregoing formal courtroom proce-

> dures, including discovery, trial, briefs, and arguments, brings substantial benefits to the parties. The costs of litigation are reduced and crowded dockets are relieved.

Id. at 435 (citation, quotation, and footnotes omitted). Although we agree that as a general proposition encouragement of out-of-court settlements is desirable, we believe Supreme Court precedent takes a narrower view of which interests are "important" enough to fall within the narrow confines of the *Cohen* doctrine.

Only when there is an explicit constitutional or statutory guarantee or a compelling public policy rationale does the Supreme Court permit an interlocutory appeal. Thus, the Court recently held that a district court's denial of Eleventh Amendment immunity is immediately appealable under the collateral order rule, reasoning that "a motion by a State or its agents to dismiss on Eleventh Amendment grounds involves a claim to a *fundamental constitutional protection* whose resolution generally will have no bearing on the merits of the underlying actions." *Puerto Rico Aqueduct & Sewer Auth. v. Metcalf & Eddy, Inc.*, 113 S. Ct. 684, 688 (1933) (emphasis added) (citation omitted). Similarly, in *Abney v. United States*, 431 U.S. 651 (1977), the Court permitted immediate appeal of a denial to dismiss an indictment on double jeopardy grounds, because of the safeguards specifically ensured by the Double Jeopardy Clause. *Id.* at 659. In *Moses Cone* the Court ruled that a district court order *granting* a stay pending state proceedings is a final order; it also held that such an order would be appealable under *Cohen*, because the res judicata effects of the eventual state judgment would render a later federal appeal meaningless. 460 U.S. at 11-13. But later, in *Gulfstream* the Court concluded that a *denial* of a motion to stay a federal case in light of pending state proceedings was "inherently tentative," and therefore not within the *Cohen* exception. 485 U.S. at 278.

The Supreme Court has rejected interlocutory appeals in a variety of circumstances when there is no underlying constitutional or statutory right. In *Lauro Lines*, the Court held that an order denying a dismissal motion based on a forum-selection clause is not immediately appealable under *Cohen*. 490 U.S. at 498. In a separate concurrence, cited with approval in the even more recent *Metcalf & Eddy* decision, Justice Scalia found the importance requirement dispositive:

> The reason we say that the right not to be sued elsewhere than in [the specified forum] is adequately vindicable by merely reversing any judgment obtained in violation of it is, quite simply, that the law does not deem the right *important enough* to be vindicated by, as it were, an injunction against its violation obtained through interlocutory appeal. The importance of the right asserted has always been a significant part of our collateral order doctrine.

Id. at 502 (Scalia, J., concurring) (quotation and citation omitted). In *Midland Asphalt Corp. v. United States*, 489 U.S. 794 (1989), the Court held that a violation of grand jury secrecy requirements did not give rise to a right to an interlocutory appeal. In *Van Cauwenberghe v. Biard*, 486 U.S. 517 (1988), the Court held that "a right not to stand trial in a civil suit is not an essential aspect of a claim of immunity under the principle of specialty" applicable to extradition cases, *id.* at 526, and that denial of a motion to dismiss based on *forum non conveniens* is likewise not immediately appealable, *id.* at 529. In *Richardson-Merrell, Inc. v. Koller*, 472 U.S. 424 (1985), the Court held that "orders disqualifying counsel in civil cases, as a class, are not sufficiently separate from the merits to qualify for interlocutory appeal." *Id.* at 440. *Coopers & Lybrand v. Livesay*, 437 U.S. 463 (1978), rejected the immediate appealability of an order passing on a request for class certification. *Id.* at 469. In *United States v. Mac-*

Donald, 435 U.S. 850 (1978), the Court refused to permit an interlocutory appeal premised on a violation of the Speedy Trial Clause.

The only situation that the Supreme Court has found important enough to allow an interlocutory appeal in the absence of a constitutional or statutory guarantee involves a district court's denial of qualified immunity for a public-official defendant. In doing so, in *Mitchell v. Forsyth* the Court emphasized the unique interests protected by the qualified immunity doctrine:

> The conception animating the qualified immunity doctrine as set forth in *Harlow v. Fitzgerald*, 457 U.S. 800 (1982), is that "where an official's duties legitimately require action in which clearly established rights are not implicated, the public interest may be better served by action taken 'with independence and without fear of consequences.'" *Id.*, at 819, quoting *Pierson v. Ray*, 386 U.S. 547, 554 (1967). As the citation to *Pierson v. Ray* makes clear, the "consequences" with which we were concerned in *Harlow* are not limited to liability for money damages; they also include "the general costs of subjecting officials to the risks of trial—distraction of officials from their governmental duties, inhibition of discretionary action, and deterrence of able people from public service." *Harlow*, 457 U.S., at 816. Indeed, *Harlow* emphasizes that even such pretrial matters as discovery are to be avoided if possible, as "[i]nquiries of this kind can be peculiarly disruptive of effective government." *Id.*, at 817.

472 U.S. at 525-26. The Court held that because qualified immunity "is an *immunity from suit* rather than a mere defense to liability," immediate appeal was necessary to vindicate that right. *Id.* at 526.

The three circuit court decisions that have permitted interlocutory appeals of decisions setting aside settlement

agreements have equated the immunity from suit implied by settlement to the immunity from suit that was the subject of *Forsyth*. The *Janneh* court declared that "[t]he asserted right not to go to trial can appropriately be based on a contract between the parties." 887 F.2d at 436. We think this is too expansive a reading of the "right not to go to trial" in the context of the *Cohen* doctrine.

The Supreme Court has admonished courts to be careful "not to play word games with the concept of a right not to be tried." *Midland Asphalt*, 489 U.S. at 801 (quotation omitted). "This question is difficult because in some sense, all litigants who have a meritorious pretrial claim for dismissal can reasonably claim a right not to stand trial." *Van Cauwenberghe*, 486 U.S. at 524. We must therefore "examine the nature of the right asserted with special care to determine whether an essential aspect of the claim is the right to be free of the burdens of a trial." *Id.* at 525; *see also Mitchell*, 472 U.S. at 551 (Brennan, J., concurring in part and dissenting in part) ("To hold that a given legal claim is in fact an immunity from trial is to except a privileged class from undergoing the regrettable cost of a trial. We should not do so lightly."). *MacDonald* illustrates the narrowness of this analysis. There, the Court held that the Speedy Trial Clause does not confer a "right not to be tried," because "[i]t is the delay before trial, not the trial itself, that offends against the constitutional guarantee of a speedy trial." 435 U.S. at 861. More recently, *Midland Asphalt* held that "[a] right not to be tried in the sense relevant to the *Cohen* exception rests upon *an explicit statutory or constitutional guarantee* that trial will not occur." 489 U.S. at 801 (emphasis added). Although both *MacDonald* and *Midland Asphalt* were criminal cases, they demonstrate the strict reading of the "right not to go to trial" necessary in cases like this one to meet the standard for appealability under *Cohen*.

We do not see how a private settlement contract is significantly different from the contracted forum selection clause the Supreme Court refused to enforce through interlocutory appeal in *Lauro Lines*. Forcing parties to go through what may turn out to be a wasted trial is just one of the inevitable costs of the final judgment rule.

Expansion of federal court jurisdiction in the absence of congressional authority is ground best trod lightly. The Supreme Court said it well many years ago in *Baltimore Contractors, Inc. v. Bodinger*, 348 U.S. 176 (1955):

> The Congress is in a position to weigh the competing interests of the dockets of the trial and appellate courts, to consider the practicability of savings in time and expense, and to give proper weight to the effect on litigants. When countervailing considerations arise, interested parties and organizations become active in efforts to modify the appellate jurisdiction. This Court, however, is not authorized to approve or declare judicial modification. It is the responsibility of all courts to see that no unauthorized extension or reduction of jurisdiction, direct or indirect, occurs in the federal system.

Id. at 181 (footnote omitted).

The *Cohen* doctrine was created only to fill an apparently unintentional void left by Congress in 28 U.S.C. §§ 1291 & 1292, and should not be expanded without compelling justification. A claimed right to avoid litigation based on a private contract to that effect does not meet this standard. Because the district court's order is not appealable before final judgment, we hold that we have no jurisdiction over this appeal, and the motion for stay must be denied.

APPEAL DISMISSED. The mandate shall issue forthwith.

APPENDIX B

IN THE UNITED STATES DISTRICT COURT
DISTRICT OF UTAH—CENTRAL DIVISION

Civil No. 92-C-178G

DESKTOP DIRECT, INC.
Plaintiff,

vs.

DIGITAL EQUIPMENT CORP.,
Defendant.

ORDER

[Filed Mar. 16, 1993]

This matter is before the court on defendant Digital Equipment Corporation's Motion for Reconsideration, or in the alternative to Stay the effect of the Order and for Enlargement of Time for Filing the Answer. After due consideration the Motions to Reconsider, to Stay and for Enlargement of Time are hereby denied.

IT IS SO ORDERED.

DATED: March 15th, 1993

/s/ J. Thomas Greene
J. THOMAS GREENE
United States District Judge

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APPENDIX C

IN THE UNITED STATES DISTRICT COURT
DISTRICT OF UTAH—CENTRAL DIVISION

Civil No. 92-C-178G

DESKTOP DIRECT, INC.,
a Utah Corporation,
Plaintiff,

v.

DIGITAL EQUIPMENT CORP.,
a Massachusetts Corporation,
Defendant.

ORDER

[Filed Jan. 5, 1993]

Plaintiff's Motion to Withdraw Notice of Dismissal and to Rescind the Settlement Agreement was argued to the court on December 18, 1992. Plaintiff, Desktop Direct, Inc. ("Desktop"), was represented by John Paul Kennedy and Larry R. Laycock. Defendant, Digital Equipment Corp. ("Digital"), was represented by J. Preston Stieff and Laurence Hefter.

On February, 28, 1992, Desktop filed a Complaint in this Court alleging that defendant was infringing its trade name and trademark. The matter was settled by the parties on March 25, 1992, whereupon Desktop filed a Notice of Dismissal.

On September 17, 1992, Desktop filed the Present Motion to Withdraw Notice of Dismissal and to Rescind the Settlement Agreement, alleging that during the settlement

discussions Digital had failed to disclose certain key facts relevant to the negotiations and misled Desktop.

Having reviewed the memorandums and affidavits submitted by the parties, this Court concludes that a fact finder could determine that defendant failed to disclose material facts to plaintiff during settlement negotiations which would have resulted in rejection of the settlement offer by the plaintiff. Accordingly, it is hereby

ORDERED, that Plaintiff's Motion to Withdraw Notice of Dismissal and to Rescind Settlement Agreement is GRANTED.

DATED: January 5th, 1993.

/s/ J. Thomas Greene
J. THOMAS GREENE
United States District Judge

APPENDIX D

UNITED STATES COURT OF APPEALS
FOR THE TENTH CIRCUIT

No. 93-4024

DESKTOP DIRECT, INC.,
a Utah corporation,
Plaintiff-Appellee,
v.

DIGITAL EQUIPMENT CORPORATION,
a Massachusetts corporation,
Defendant-Appellant.

ORDER

Entered June 16, 1993

Before McKAY, Chief Judge, and LOGAN, SEYMOUR, MOORE, ANDERSON, TACHA, BALDOCK, BRORBY, EBEL and KELLY, Circuit Judges.

This matter comes on for consideration of appellant's petition for rehearing and suggestion for rehearing in banc.

Upon consideration whereof, the petition for rehearing is denied by the panel that rendered the decision.

In accordance with Rule 35(b), Federal Rules of Appellate Procedure, the suggestion for rehearing in banc

was transmitted to all of the judges of the court who are in regular active service. No member of the panel and no judge in regular active service on the court having requested that the court be polled on rehearing in banc, Rule 35, Federal Rules of Appellate Procedure, the suggestion for rehearing in banc is denied.

Entered for the Court

ROBERT L. HOECKER
Clerk

By: /s/ Patrick Fisher
PATRICK FISHER
Chief Deputy Clerk